gpi GREAT PACIFIC INDUSTRIES
Annual Report 1970

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Financial Highlights

	1970	1969
Sales and Revenue	**$7,120,000**	$5,371,000
Earnings before Income Tax and Extraordinary Item	**607,000**	883,000
Income Tax	**294,000**	414,000
Earnings before Extraordinary Item	**313,000**	469,000
Organization and Incorporation Costs Written Off	**64,000**	—
Net Earnings	**249,000**	469,000
Return on Equity		
Before Extraordinary Item	**10.1%**	N/A
After Extraordinary Item	**8.0%**	N/A
Cash Flow	**2,170,000**	1,716,000
Per Common Share		
Net Earnings before Extraordinary Item	**30.6¢***	55.0¢*
Net Earnings after Extraordinary Item	**24.3¢***	55.0¢*
Cash Flow	**$2.12***	$2.04*
Equity	**3.29**	3.05
Shares Outstanding during Year	**1,022,000***	843,000*
Shares Outstanding at Year End	**1,022,000**	1,022,000

*Weighted Average Basis

Cover

Two storey floating camp for the B.C. Forest Service at Lake Williston, behind the W.A.C. Bennett Dam in British Columbia, a unique example of GPI's Modular Manufacturing expertise.

Annual Meeting

The Annual Meeting of Shareholders will be held in the Walnut Room of the Doric Howe Motor Hotel, Vancouver, at 3:30 p.m., on June 30, 1971.

Contents

Board of Directors

Robert S. Chant,
General Manager,
Vehicle Lease Division,
Great Pacific Industries Ltd.,
Vancouver, B.C.

Harry B. Dunbar,
Director,
Neonex International Ltd.,
Vancouver, B.C.

Neil J. Jevning,
General Manager,
Modular Division,
Great Pacific Industries Ltd.,
Spruce Grove, Alberta

James A. Pattison,
President & Chief Executive Officer,
Neonex International Ltd.,
Vancouver, B.C.

William J. Sleeman,
President,
Great Pacific Industries Limited,
Vancouver, B.C.

W. Robert Wyman,
Senior Vice-President,
Pemberton Securities Ltd.,
Vancouver, B.C.

Corporate Officers

James A. Pattison,
Chairman of the Board

William J. Sleeman,
President

Edward Pyrik,
Vice-President Finance and Administration

Allan J. Simmons,
Secretary

Transfer Agents and Registrars

The National Trust Company,
Vancouver, British Columbia,
Edmonton, Alberta

Auditors

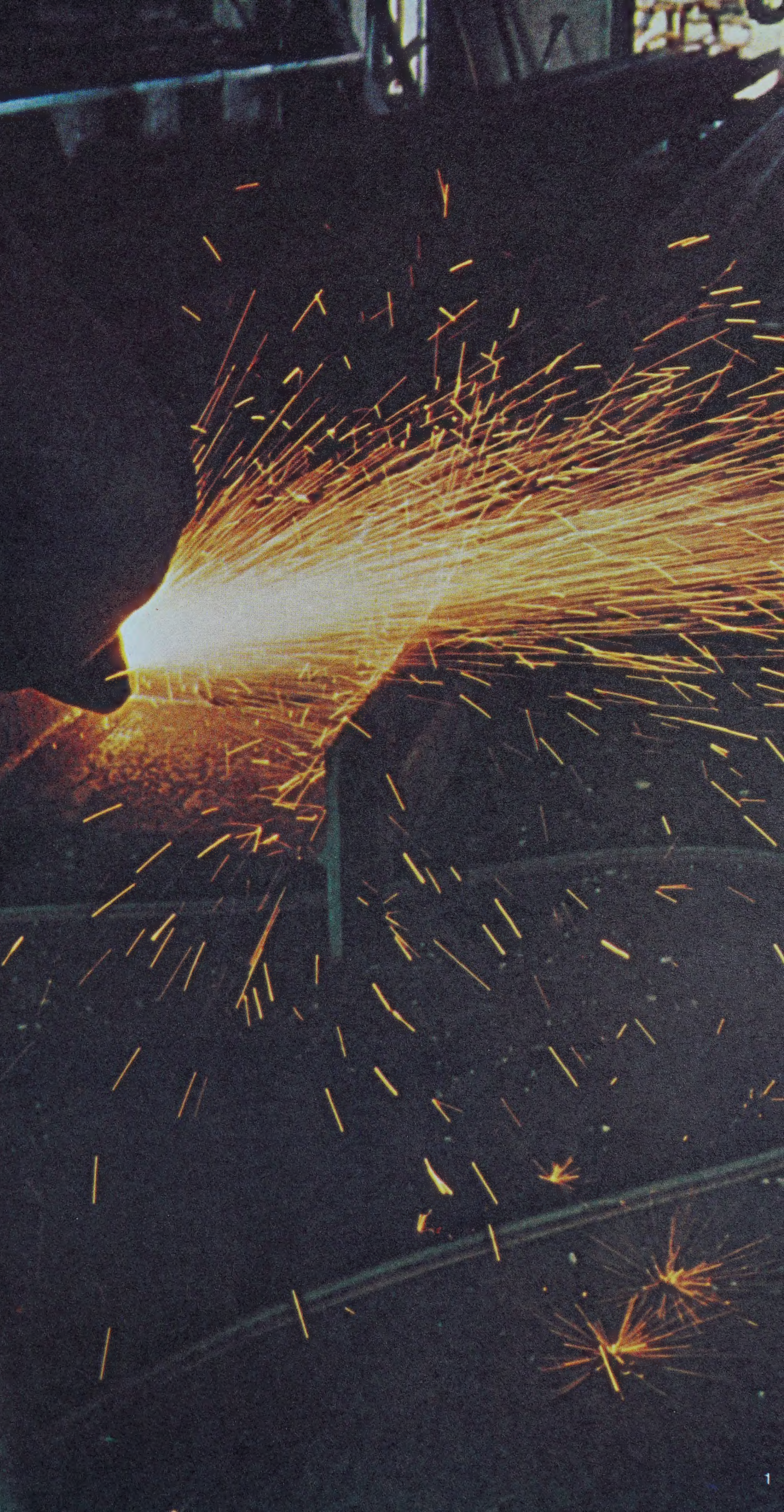
Peat, Marwick, Mitchell & Co.,
Chartered Accountants,
Vancouver, British Columbia

Stock Exchange

Vancouver Stock Exchange

Executive Offices

Suite 850, 777 Hornby Street,
Vancouver 1, British Columbia,
Telephone 683-2171 — Area code 604



Report of the President

Great Pacific Industries in 1970 was able to achieve a satisfying increase in sales and revenues in a year of troubled economic conditions. Sales volume rose from $5,371,018 in 1969 to $7,119,726 in 1970, and cash flow increased from $1,716,300 to $2,170,400. After-tax earnings of the Company, in spite of the revenue increase, fell from $468,861 in 1969 to $313,273 in 1970. Your company also made a decision to charge against current year's earnings, an amount of $64,557 representing organization and incorporation costs that were previously recorded as intangible assets. This item, although not involving a cash outlay in 1970, is treated for accounting purposes as an expense, and is recorded as a non-recurring item that had the effect of reducing net earnings to $248,716.

The reduction in profits, while recording higher sales was due primarily to the following:

1. Higher interest rates, particularly in the early part of the year, adversely affected our leasing companies that borrow large sums of monies to finance lease contracts, many of which were consummated at an earlier date on a fixed rate basis.

2. Lower selling prices in our modular manufacturing division, due to a slowdown in demand for our products, particularly in the oil industry, which has historically been a major consumer of our factory-built industrial products. The long-term outlook for the oil exploration and pipeline business in our marketing area is optimistic. However, the delay in the decision of the arctic pipeline route has resulted in a temporary lack of activity in this sector of the industry.

3. The general economic conditions of the year, with continuing upward pressure on expenses in all areas of the business, including new union wage levels in certain of our subsidiary companies at a time when consumer and business spending declined, resulted in reduced gross profits on dollar sales.

In spite of the decline in earnings in 1970, the management of your Company after careful examination, evaluates 1970 as a year of honest progress, since a judgment of results must extend beyond figures projecting current performance.

We believe that the following major accomplishments will result in future progress for your company:

1. Great Pacific acquired a modular manufacturing company, located in Greater Vancouver, in November of 1970. This company, already recording approximately one million dollars in business, will also build all of the requirements for another GPI company which is engaged in the leasing of factory-built industrial products. Our leasing company was formerly purchasing its annual requirements, in excess of a million dollars, from a non wholly-owned supplier. The benefits of this manufacturing operation to our overall results will become effective in 1971.

2. Great Pacific Industries in late 1970 integrated all of its factory-built industrial business under the GPI Modular Division. The activities of this division include manufacturing operations located in Edmonton and Vancouver, with sales, leasing and service offices in Calgary, Prince George, Edmonton, and Vancouver. The GPI Modular Division now manufactures all of the products sold or leased by its marketing department.

3. Great Pacific Industries has purchased two vehicle leasing companies located in the Toronto area, raising our total cars and trucks on lease in Ontario from 175 to 850.These acquisitions, made in late 1970 and early 1971, will significantly enhance the profit opportunity of our vehicle leasing operations.

4. During 1970, Great Pacific and its subsidiaries consolidated and increased its bank lines of credit. This bank financing, available as required, will allow Great Pacific to take advantage of higher levels of business as conditions warrant.

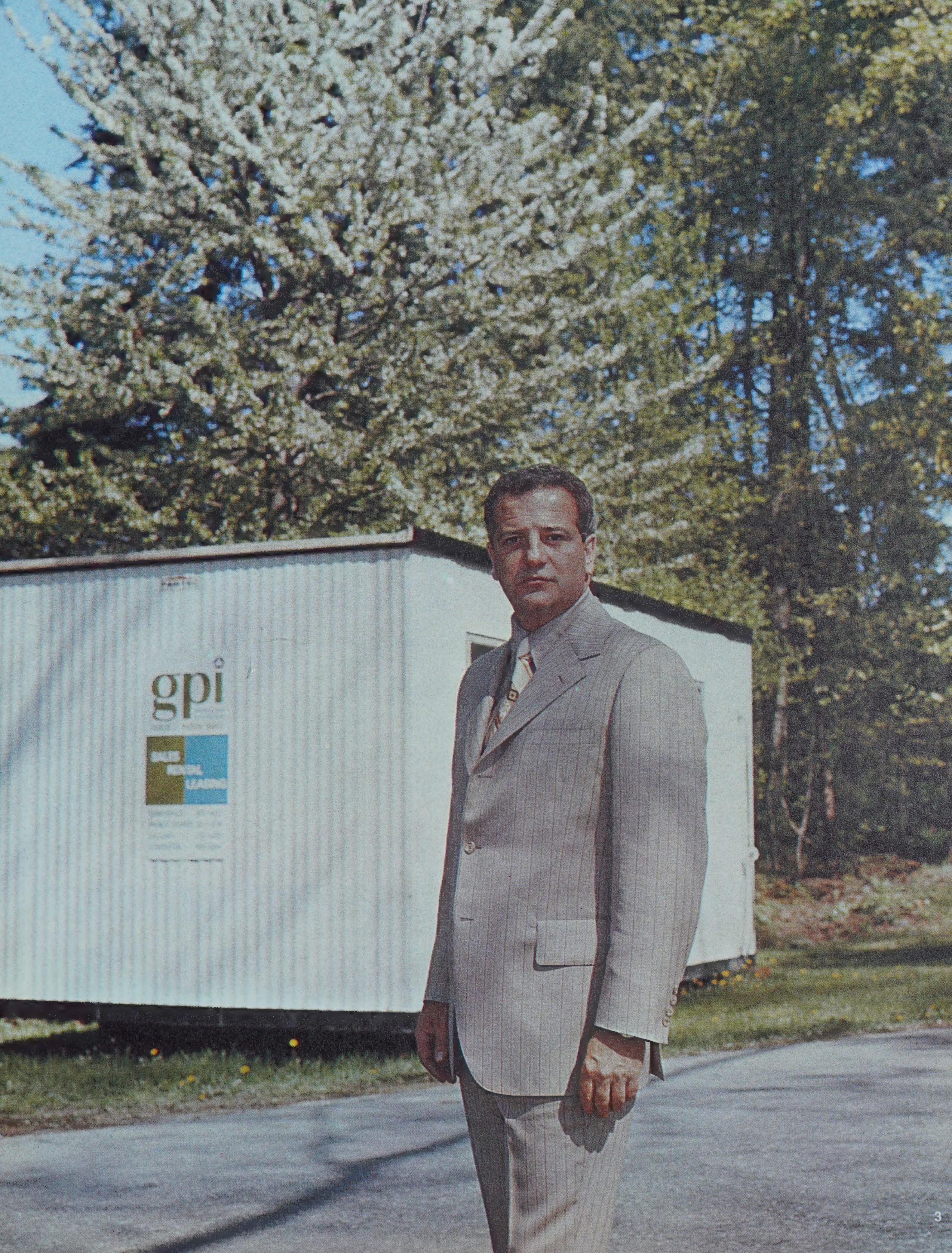
Your company enters 1971 with increased capacities in most areas of its business; revenue earning assets have increased by 35%, manufacturing capacity by 40%, bank credit by 100%, sales volume by 33%. The directors of your company are confident that these capacities will be harnessed by the employees of Great Pacific, to produce growth in earnings and equity consistent with the objectives of the shareholders of Great Pacific.

Respectifully submitted on behalf of the Board of Directors.

W. J. Sleeman

William J. Sleeman,
President.

GPI's modular units range in all sizes and are to be found throughout Western and Northern Canada. President, William J. Sleeman, is shown with an office unit in use in Vancouver's Stanley Park.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Financial Review

Revenue

Total gross revenues increased 32.6% on a comparative audited basis in 1970 over 1969. However, the revenue of certain subsidiaries acquired in 1969, are not reflected for the full two-year comparative period. If it were assumed that we had owned all subsidiaries for the full two-year period, the revenue growth would have been 13%. In reviewing this comparison on the adjusted 1969 revenue basis, the modular leasing operations experienced a 41% increase in revenue, the vehicle leasing operation a 16% increase, the modular manufacturing division a 9% increase and the remaining miscellaneous operations, accounting for less than 10% of total revenue, experienced a decline of 16% in 1970. In reviewing the divisional composition of our 1970 revenues, 50% was produced by the modular division, 42% by vehicle leasing and 8% by accommodations.

Operating Expenses

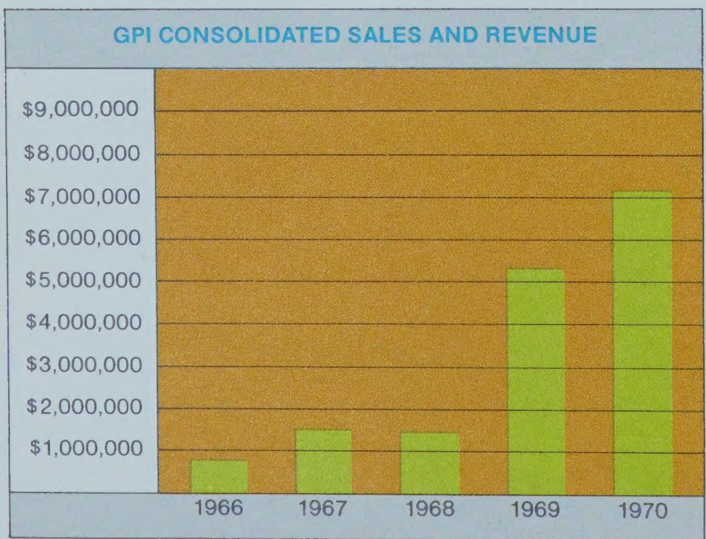
1970 operating expenses increased as a percentage of revenue from 56.5% to 60.4%. The greatest dollar increase in expenses occurred in the modular manufacturing operation which reflected an increase from 79% of revenue to 89%. This profit centre, although experiencing a 9% increase in sales volume, had anticipated much higher revenues that did not materialize due to conditions in the industry. The expense structure was reduced early in 1971 to bring it in line with current volumes. Other factors contributing to the relative increase in operating expenses of this division were start-up costs of our new plant in New Westminster, and increased design and estimating staff employed to develop new markets for our modular products.

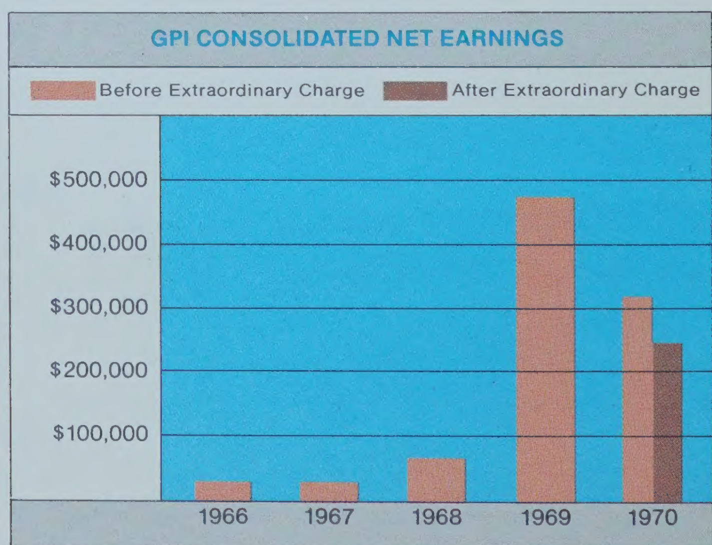
Depreciation Expenses

Depreciation expense and the methods used to calculate it are significant in our business as it relates to our vehicle leasing division and our modular leasing division. The vehicle leasing division calculates the estimated residual value of each unit at the time it goes into service on an individual basis. The difference between the residual value and the original cost becomes the depreciation charged on each vehicle. This in effect means that each unit in our lease fleet of some 2300 vehicles has its own specific depreciation that is calculated on a future market value basis. This allows for accuracy and flexibility in predicting the wide range of used vehicle market prices, which vary with make, model, colour, etc. This division experienced a net gain on sale on disposal of units in 1970. The modular leasing division employs a ten percent per annum straight-line depreciation rate which has historically resulted in a net gain on sale of used units.

Interest Expenses

Interest expense increased from 6.4% of revenue to 8.2%, due primarily to the prevailing high rates in early 1970. Most affected was the vehicle leasing division whose rates are fixed for the term of the lease, based on rates in effect at time of lease. While leasing rates were adjusted, increases in other





factors making up the lease rate did not increase proportionately, causing an increase in interest expense when expressed as a percentage of sales. In addition, the company was successful in the issuance of $700,000 in convertible sinking fund debentures, maturing May 1st 1985. The 9% interest rate on these debentures was another factor that increased interest expenses.

Working Capital

The working capital of the company as shown on the Statement of Source and Application of Funds, decreased by an amount of $596,000. This was due primarily to the company expanding its revenue earning assets, which are non-current assets, with financing provided by the company's additional line of revolving credit which is recorded as a current liability.

Capital Expenditures

Revenue earning assets increased by $1.8 million, which was made up of an increase of $1.2 million in our modular building fleet and $600,000 in our vehicle leasing fleet. A substantial growth of this nature in the revenue earning asset accounts should also be reflected in increased earning capacities in future years over the life of the leased assets.

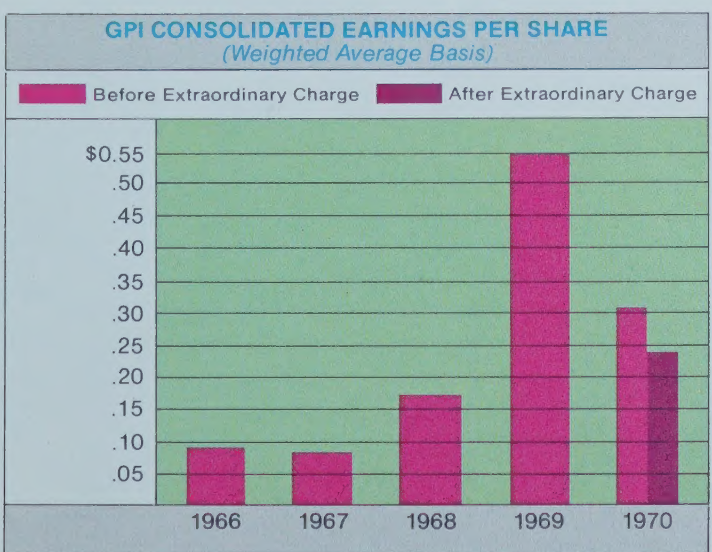
The balance of the capital expenditure programme was made up principally by a $406,000 purchase of a headquarters building for our Vancouver vehicle leasing division, and a renovation expense of $175,000 by our accommodations division.

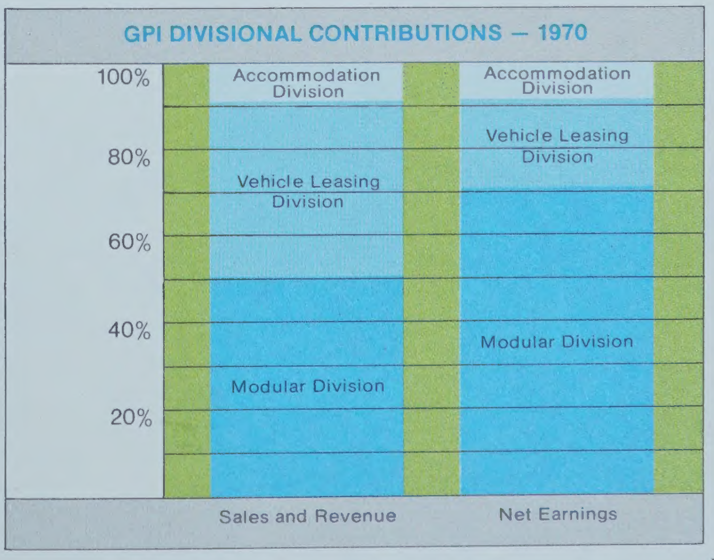
Income Taxes

Taxes on income are recorded in the accounts at the applicable maximum rate which approximates 51%. During 1970, taxes currently payable decreased by $256,000, while the provision for taxes payable in future years increased by $136,000. This change is due to two main factors:

1. Expansion of the revenue earning assets with the resultant excess capital cost allowance for tax purposes over the amount of depreciation recorded in the accounts;

2. The fact that the modular manufacturing division, which in the past has been largely responsible for the current tax liability, in 1970 suffered a decline in its earnings.





Industrial accommodation by GPI for Eurocan Pulp and Paper Company's 700 man camp-site location at Kitimat, B.C.

During 1970, Great Pacific Industries created the GPI Modular Division, with the addition of new companies, new people and new markets. This division is a fully integrated operation that produces a wide range of factory-built structures and, in turn, markets these buildings through sales and leasing offices located in Vancouver, Edmonton, Calgary and Prince George.

The major customers for our products are companies that are involved in the development of the natural resources of Western and Northern Canada and Alaska. These developments require a total range of accommodations for large numbers of men who are working in remote areas.

GPI offers buildings that can be produced rapidly, on an assembly line basis, completely designed, engineered and researched to meet the demanding conditions of mobility and extreme weather conditions.

There is also a major developing market in the same geographic areas for permanent buildings such as motels, schools, hospitals and various commercial requirements. Factory-built modular methods for all types of structures are ideally suited to these remote areas, where materials and manpower are in short supply.

A GPI built motel at Inuvik in the North West Territories is the Eskimo Inn.

GPI entered this new market area in 1970 and by taking this step has significantly increased its overall sales and revenue potential.

One of GPI's main manufacturing plants located in Western Canada

GPI has well-located factories: in Edmonton to service the Canadian North and Alaskan markets, and in Vancouver to service the active British Columbia market. Each manufacturing plant has a complete estimating, drafting, and architectural department, where the customers' requirements can be translated into specific designs to meet individual needs.

The broad range of products engineered, designed, and manufactured by GPI include: mobile-track units, sewage treatment plants, snow-melting machines, motels, commercial buildings, and industrial camp facilities.

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A GPI accommodation facility for Westcoast Transmission at Fort Nelson, B.C.

One of the important services that GPI offers to industrial customers, particularly those whose requirements are of a relatively short-term nature during the construction phases of their developments, is a comprehensive leasing program where the customer can lease new buildings that are manufactured in our plants; or used equipment from our inventory that exceeds $2.5 million in value.

GPI also offers a complete vehicle leasing service to our customers, from large off-highway trucks to a full range of light-duty trucks and automobiles.

GPI's future growth opportunities coexist with the development of the last frontier in North America...Western, Northern Canada and Alaska. As the petroleum, forest, mining, transportation and hydro-electric industries develop the resources of this remote area, we are participating in the demand for buildings of all types, produced in our factories and shipped to far-flung sites to serve as temporary camp accommodations or as permanent buildings in the new towns that are created as a result of these natural resource developments.

Great Pacific Industries Limited and Subsidiaries

Consolidated Balance Sheet

December 31, 1970 *(With comparative figures for 1969)*

Assets

	1970	1969
Current assets:		
Term deposits	$ 60,000	$ 200,000
Trade receivables	869,078	990,479
Other receivables	42,835	—
Inventory, at the lower of cost or net realizable value	560,915	561,379
Income taxes recoverable	29,712	—
Prepaid expenses	38,623	29,910
Total current assets	1,601,163	1,781,768
Other assets (Note 2)	216,066	142,902
Revenue earning assets (Note 3):		
Vehicles leased to customers	4,601,194	3,968,693
Modular buildings leased to customers	2,471,927	1,275,128
	7,073,121	5,243,821
Property, plant and equipment (Note 4)	1,665,163	1,368,447
Intangibles (Note 5):		
Goodwill, at cost less amounts amortized	2,126,710	1,834,825
Financing costs, at cost less amounts amortized	85,118	—
Organization and incorporation costs	—	53,886
	2,211,828	1,888,711
	$12,767,341	$10,425,649

On behalf of the Board:

Director

Director W. J. S

See notes to consolidated financial statements.

Liabilities and Shareholders' Equity

	1970	1969
Current liabilities:		
Bank indebtedness (Note 6):		
Current account	$ 267,625	$ 69,667
Demand loans	1,122,000	340,000
	1,389,625	409,667
Trade payables and accrued liabilities	476,326	672,996
Income taxes payable	—	301,879
Current portion of long-term debt	256,774	354,575
Customers' deposits on lease contracts expiring in one year	164,054	131,961
Total current liabilities	2,286,779	1,871,078
Notes payable secured by liens on vehicles leased to customers	4,559,061	3,921,832
Customers' deposits on lease contracts expiring after one year	222,901	210,860
Long-term debt (Note 7)	847,364	876,227
Deferred liabilities:		
Income taxes (Note 8)	582,970	359,798
Rental income	105,462	71,982
	688,432	431,780
Deferred gain on sale of property, less amortization (Note 9)	100,216	—
Convertible debentures (Note 10)	700,000	—
Shareholders' equity:		
Share capital:		
Common shares without nominal or par value. Authorized 5,000,000 shares; issued 1,022,000 shares (Notes 10 and 11)	2,430,402	2,430,402
Retained earnings	932,186	683,470
Total shareholders' equity	3,362,588	3,113,872
	$12,767,341	$10,425,649

Great Pacific Industries Limited and Subsidiaries

Consolidated Statement of Earnings

Year ended December 31, 1970 *(With comparative figures for 1969)*

	1970	1969
Operating revenue	**$7,119,726**	$5,371,018
Operating expenses	**4,303,548**	3,033,141
Provision for depreciation	**1,626,695**	1,111,913
	5,930,243	4,145,054
Operating profit	**1,189,483**	1,225,964
Interest on long-term debt	**582,373**	343,171
Earnings before income taxes and extraordinary item	**607,110**	882,793
Provision for income taxes:		
Current	**70,665**	326,922
Deferred	**223,172**	87,010
	293,837	413,932
Earnings before extraordinary item	**313,273**	468,861
Extraordinary item:		
Organization and incorporation costs written off	**64,557**	–
Net earnings for the year	**$ 248,716**	$ 468,861
Earnings per common share (Note 12):		
Earnings before extraordinary item	**30.6¢**	55.0¢
Net earnings for the year	**24.3¢**	55.0¢
Fully diluted earnings per common share (Note 12):		
Earnings before extraordinary item	**30.4¢**	55.0¢
Net earnings for the year	**24.5¢**	55.0¢

See notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

Year ended December 31, 1970 *(With comparative figures for 1969)*

	1970	1969
Retained earnings at beginning of year	**$ 683,470**	$ –
Retained earnings of pooled subsidiaries at December 31, 1968	**–**	214,609
Net earnings for the year	**248,716**	468,861
Retained earnings at end of year	**$ 932,186**	$ 683,470

See notes to consolidated financial statements.

Great Pacific Industries Limited and Subsidiaries

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1970 *(With comparative figures for 1969)*

	1970	1969
Funds provided:		
Operations:		
Net earnings	$ 248,716	$ 468,861
Organization and incorporation costs written off	64,557	–
Depreciation	1,626,695	1,111,913
Increase in deferred income taxes	223,172	89,158
Increase in deferred rental income	33,480	49,297
Gain on sale of assets	(26,197)	(2,891)
Funds provided from operations	2,170,423	1,716,338
Proceeds on disposal of fixed assets	470,647	34,431
Disposals of revenue earning assets	1,700,969	980,990
Issue of 9% Subordinated Convertible Sinking Fund Debentures, Series A	700,000	–
Issue of other long-term debt	360,330	–
Issue of common shares	–	340,000
Issue of secured notes payable	158,131	588,172
Increase in customer deposits	12,041	64,744
Working capital (net) acquired in purchasing lease division of Jim Pattison Ltd. and the Canadian operations of Jim Pattison Rentals Ltd.	–	120,591
	5,572,541	3,845,266
Funds used:		
Completion of share purchase agreement	250,000	–
Less long-term portion of notes payable issued	125,734	–
	124,266	–
Additions to revenue earning assets	4,555,018	2,888,354
Additions to property, plant and equipment	757,904	173,262
Reduction of long-term debt	514,928	288,756
Purchase of shares of automotive leasing business	48,585	–
Financing costs	85,118	–
Organization and incorporation costs	10,671	53,886
Other	72,357	106,695
	6,168,847	3,510,953
Increase (decrease) in working capital deficiency	596,306	(334,313)
Working capital deficiency beginning of year	89,310	423,623
Working capital deficiency end of year	$ 685,616	$ 89,310

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1970

1. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and all subsidiaries, after elimination of all material inter-company transactions.

During 1970 the Company acquired an automotive leasing business which was accounted for as a purchase. The operating results of this purchased business have been included only from the effective date of acquisition.

The financial statements for the year ended December 31, 1969, as previously reported, have been reclassified where applicable to conform with the presentation used in the current year.

2. Other Assets:

Other assets comprise the following:

	1970	1969
Marketable securities, at cost (which approximates market)	**$ 20,925**	$ 20,925
Other shares, at cost	**41,350**	41,350
Loans and mortgage receivable, less current portion	**134,333**	54,540
Cash surrender value of life insurance	**19,458**	26,087
	$216,066	$142,902

3. Revenue Earning Assets Leased to Customers:

Revenue earning assets leased to customers are as follows:

	1970	1969
Automobiles and trucks, at cost	**$6,276,775**	$4,825,041
Less accumulated depreciation	**1,675,581**	856,348
	4,601,194	3,968,693
Modular buildings, at cost	**2,918,228**	1,624,461
Less accumulated depreciation	**446,301**	349,333
	2,471,927	1,275,128
Net vehicles and buildings	**$7,073,121**	$5,243,821

Automobiles and trucks are depreciated on the straight-line method at rates from 22% to 25%.

Certain modular buildings, which include bunkhouses, kitchens, dining halls, recreation halls, schools and office buildings are depreciated at 10% on the straight-line method. The remaining buildings are depreciated on the diminishing balance method at 10%.

4. Property, Plant and Equipment:

Property, plant and equipment is comprised of the following:

	1970	1969
Plant, buildings and equipment	**$1,804,578**	$1,640,059
Less accumulated depreciation	**585,704**	686,027
	1,218,874	954,032
Land	**446,289**	414,415
Net property, plant and equipment	**$1,665,163**	$1,368,447

Depreciation is provided in the accounts on these assets as follows:

Straight-line method:	
Office buildings	5 to 10%
Equipment	15%
Furniture and fixtures	20%
Diminishing balance method:	
Hotel building	5%
Rental house	10%
Hotel furniture, fixtures and equipment	20%
Manufacturing plant	5 to 10%

5. Intangibles:

Goodwill has not been amortized in the year as management is of the opinion that there has been no diminution of value during the year.

Financing costs are being amortized over the term of the 9% Subordinated Convertible Sinking Fund Debentures, Series A.

Organization and incorporation costs were written off during the year as an extraordinary charge to earnings.

6. Bank Indebtedness:

Bank indebtedness is secured by accounts receivable and inventories of subsidiaries totalling $1,007,773 together with a floating charge debenture of $1,000,000 on the net assets of certain subsidiaries which amounted to $1,868,226 at December 31, 1970.

7. Long-Term Debt:

Long-term debt comprises the following:

	1970	1969
(a) Mortgages and agreements for sale at interest rates from 6-11%, secured by land and buildings, maturing at various dates between October, 1971 and August, 1981	**$ 741,722**	$ 640,008
(b) Non-interest bearing agreement for sale, secured by land, maturing in 1971	—	80,576
(c) 7% unsecured notes, payable in five equal annual instalments of $31,434 in the years 1971 to 1975, inclusive.	**157,168**	—
(d) 8½% note payable secured by certain rental fleet units, payable in two equal instalments in 1971 and 1972	**154,000**	—

	1970	1969
(e) Bank term loan secured by demand debenture of $1,000,000 giving a floating charge on certain assets . .	—	457,500
(f) Other.	**51,248**	52,718
	1,104,138	1,230,802
Less current portion	**256,774**	354,575
	$ 847,364	$ 876,227

8. Deferred Income Taxes:

The Company and several subsidiaries have claimed capital cost allowances for income tax purposes in amounts that have exceeded depreciation provided in the accounts. Also, certain amounts of income have been deferred for the purpose of determining net income for accounting purposes.

Accordingly, a provision has been made in the accounts for income taxes that have been deferred as a result of such timing differences. The cumulative provisions for deferred income taxes is $582,970 at December 31, 1970.

9. Deferred Gain on Sale of Property:

During the year a subsidiary company sold land, plant and equipment under a five year sale-and-leaseback agreement. The gain of $116,918 which resulted from the sale will be amortized over the five year period and, accordingly, $16,702 has been credited to operating expenses in 1970. Annual lease payments under the agreement amount to $54,000.

10. Convertible Debentures:

9% Subordinated Convertible Sinking Fund Debentures, Series A, mature May 1, 1985. The debentures are convertible into 160 fully paid common shares for each $1,000 principal amount of debentures. Sinking fund payments of $70,000 annually in the years 1980 to 1984 are required with a $350,000 payment on maturity. The debentures are secured by a floating charge on the Company's assets and are guaranteed by five of the Company's subsidiaries. The debentures are subordinated to all present and future borrowings.

11. Common Shares:

Common shares are reserved as follows:

	Number of shares
(a) For conversion of 9% Subordinated Convertible Sinking Fund Debentures, Series A . . .	112,000
(b) Under option granted to an officer of the company exercisable at the maximum cumulative rate of 4,000 shares a year from December 10, 1970 to December 9, 1975 at $3.38 a share.	20,000
	132,000

12. Earnings per Share:

Earnings per share are based on the average number of shares outstanding (adjusted retroactively for shares issued for poolings of interests) and fully diluted earnings per share assume the exercise of options and conversion of the 9% debentures.

13. Remuneration to Directors and Senior Officers:

The aggregate remuneration paid to directors and senior officers of the Company for the year ended December 31, 1970 amounted to $208,051 including a retiring allowance of $50,500 and for the period from date of incorporation, February 6, 1969 to December 31, 1969 amounted to $96,970.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Great Pacific Industries Limited and subsidiaries as of December 31, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.,

Vancouver, British Columbia *Chartered Accountants*
March 26, 1971

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Products and People

Commercial units constructed include those for the banking industry.

Queen Charlotte Islands installation for the Federal Government.

Living accommodation in one of many motels built by GPI.

A hospital building installation in the Interior of British Columbia.

Four of GPI sales executive staff are (left/right) Ron Yates, Robert Tulk, Frank Islip, and Don Evans.

Robert Chant, (left) General Manager Vehicle Leasing Division shown with Service Manager Chuck Gibson.

GPI's assembly line manufacturing facilities in New Westminster.

GPI Vice-President, E. Pyrik (left) with E. Coenen, General Manager Accommodation Division.

Discussing a new motel construction order are Modular Division executives (left/right) Jack Cleave, Neil Jevning, Bruce Russell, and Rolf Paterson.

School building on site location in the Interior of British Columbia.

Complete dining-room facilities which are sold or leased to customers.

GPI's diversified manufacturing technology includes the building of snow-melting machines for the supply of water in frozen North regions.

GREAT PACIFIC INDUSTRIES LTD., 777 Hornby Street, Vancouver 1, British Columbia

BOARD OF DIRECTORS

JAMES A. PATTISON,
Chairman & Chief Executive Officer,
Neonex International Ltd.,
Vancouver, B.C.

WILLIAM J. SLEEMAN,
President,
Great Pacific Industries Limited,
Vancouver, B.C.

HARRY B. DUNBAR,
Director,
Neonex International Ltd.,
Vancouver, B.C.

WILLIAM G. ANGLIN,
President,
Fabco Leasing Ltd.,
North Vancouver, B.C.

NEIL J. JEVNING,
President,
Porta-Built Industries Ltd.,
Edmonton, Alberta.

GEORGE H. MONTAGUE,
Vice President,
Unas Investments Ltd.,
Toronto, Ontario.

CORPORATE OFFICERS

JAMES A. PATTISON,
Chairman of the Board.

WILLIAM J. SLEEMAN,
President.

JAMES O'L. HOGAN,
Secretary.

OPERATING OFFICERS

WILLIAM G. ANGLIN,
President,
Fabco Leasing Ltd.,
North Vancouver, B.C.

NEIL J. JEVNING,
President,
Porta-Built Industries Ltd.,
Edmonton, Alberta.

J. MARCEL PREFONTAINE,
President,
Doric Howe Motor Hotel,
Vancouver, B.C.

ROBERT S. CHANT,
General Manager,
Jim Pattison Lease-Rentals,
Vancouver, B.C.

Lithographed in Canada

Great Pacific Industries Limited

REPORT TO SHAREHOLDERS

FOR THE SIX MONTHS
ENDED JUNE 30, 1970

REPORT TO SHAREHOLDERS

The accompanying unaudited consolidated financial statement information reflects the progress of your Company during the first six months of 1970, ended June 30th.

Operating revenue for 1970 was $3,424,489, as compared to $2,718,500 in 1969. Net earnings after calculation of full income tax in 1970 were $230,214. This compares with $177,500 in 1969. Earnings per share in 1970 were 23¢, representing a 15% increase over 20¢ in 1969.

The financial statements include the results of your Company completing a $700,000, 9%, convertible debenture offering, concluded on May 1st, 1970. These funds have been employed by the various operating divisions for: the replacement of fixed assets, investment in revenue earning assets, and to increase working capital.

Over and above the accompanying financial results, I would like to make our shareholders aware of some important operating achievements that will provide future earnings opportunities.

1. (a) Great Pacific Industries has purchased the shares of Park Manor Auto Leasing Ltd. of Toronto, Ontario, to provide a further entree into the lucrative Ontario vehicle leasing market. This Company will be integrated into the Jim Pattison Lease division of G.P.I.

(b) The Jim Pattison Lease Division has acquired a 30,000 square foot building located at 3131 Main Street, Vancouver. The building will service in excess of 1,000 vehicles and will contain all service, administrative and sales personnel. The division formerly operated from three different locations. This move will provide better management controls, more efficiency in overhead expenses, and a more visible location for the merchandising of our various leasing and daily rental services.

2. G.P.I.'s Fabco Division has completed the sale of a building which they in turn had been leasing to another company. This sale has provided $300,000 in cash for the purchase of revenue earning assets which historically provide a return in excess of 18% on investment.

The industrial accommodations that Fabco lease, primarily to resource development companies, have this year, produced the highest revenue and utilization in the history of the company.

3. G.P.I.'s Motor Hotel, the Doric Howe, is in the process of completing a major renovation programme, the results of which will allow it to be more competitive in its field of providing quality, medium priced, downtown accommodation.

4. G.P.I.'s Porta-Built Industries, located in Edmonton, Alberta, has achieved new product developments to increase future business:

(a) Porta-Built is the first company to have been accredited by the State of Alaska, with an approval of a portable sewage treatment plant for use in the Alaskan Arctic. This development has produced over $100,000 of new business in the last four months.

(b) Porta-Built was awarded a contract in excess of $250,000 for the construction of a motel which was produced in our Edmonton factory, shipped in modules to the Canadian Arctic, and positioned on site at Inuvik, in the North West Territories; representing a contribution to the development of the North and an opportunity for a G.P.I. company to capitalize on this development.

Your Directors and management look forward to the balance of 1970, in the belief that Great Pacific will continue to provide consistent growth opportunities for its employees and for its shareholders.

W. J. SLEEMAN,
President.

Great Pacific Industries Limited and subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

SIX MONTHS ENDED JUNE 30, 1970

Revenue		$3,424,489
Cost of Sales		2,136,466
Gross Margin		1,288,023
Overhead Costs:		
Financial		260,660
Selling and Administrative		591,666
		852,326
Earnings before Income Taxes		435,697
Provision for Income Taxes		
Current		104,901
Deferred		100,582
		205,483
Net Earnings from Operations		230,214
Earnings per Share		23¢
Retained Earnings at December 31, 1969		683,470
Retained Earnings at June 30, 1970		$ 913,684

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SIX MONTHS ENDED JUNE 30, 1970

FUNDS PROVIDED:		
Operations:		
Net Earnings		$ 230,214
Depreciation		751,086
Gain on Sale of Assets		(25,533)
Increase in deferred income taxes		108,574
Provision for lease-option		32,156
Funds provided from Operations		1,096,497
Proceeds on disposal of property, plant and equipment, net		420,143
Issue of 9% debenture		700,000
Issue of notes payable secured by liens on autombiles		456,634
Proceeds of 7% mortgage		249,022
Proceeds of other notes payable		90,000
Increase in customers' deposits		2,956
Proceeds on realization of other assets, net		36,137
Total Funds Provided		3,051,389
FUNDS USED:		
Additions to property, plant and equipment	$ 469,263	
Additions to rental fleet, net of proceeds from disposals	1,744,958	
Reduction in long-term debt	295,104	
Financing costs	88,089	
Other	8,995	2,606,409
Increase in Working Capital		444,980
Working capital, December 31, 1969		(89,310)
Working capital, June 30, 1970		$ 355,670

The above figures are subject to audit and year end adjustments.

Great Pacific Industries Limited and subsidiaries

CONSOLIDATED BALANCE SHEET
JUNE 30, 1970

Current Assets		$ 2,330,983
Current Liabilities		1,975,313
Working Capital		355,670
Other Assets		9,823,184
		$10,178,854
Term Liabilities:		
Notes payable secured by liens on automotive rental units	$4,378,466	
Deferred income taxes	488,199	
Other	1,968,103	6,834,768
Shareholders' Equity:		
Common shares without nominal or par value: authorized 5,000,000; issued 1,022,000	2,430,402	
Retained earnings	913,684	3,344,086
		$10,178,854

The above figures are subject to audit and year end adjustments.

gpi GREAT PACIFIC INDUSTRIES

Interim Report

For the Six Months Ended June 30, 1971

REPORT TO SHAREHOLDERS

The accompanying unaudited consolidated financial statements for the period ending June 30, 1971 reflect a sales and revenue growth from $3,424,489 in the 1970 period to $4,523,730 in 1971. Earnings declined in the first six months of 1971 from $230,214 to $92,812 as a result of continuing weakness in our modular manufacturing markets. These markets have, in recent weeks, shown the first signs of buoyancy with the recent oil discoveries and exploration agreements in the Canadian Arctic. The last month of our reported results produced a substantial increase in pre-tax earnings over the same period last year. The company's comparative results for the last six months are expected to be well above those for the same period of 1970 and result in a year of progress in sales and profit.

Great Pacific Industries is in the modular manufacturing, accommodation and leasing fields.

GPI has well-located factories in Edmonton to service the Canadian North and Alaskan markets, and in Vancouver to service the active British Columbia market. Each manufacturing plant has a complete estimating, drafting and architectural department, where the customers' requirements can be translated into specific designs to meet individual needs.

The broad range of products engineered, designed and manufactured by GPI include: mobile-track units, sewage treatment plants, snow-melting machines, motels, commercial buildings and industrial camp facilities.

I would like to draw your attention to the significant increase in working capital of $1,271,111 since the year ending December 31, 1970. This increase resulted in part from the normal course of business, and in part from the reclassifying of certain bank loans from current liabilities to long term, after revising the term of the loans. Your company, after embarking on a major capital expenditure programme in 1970 in the area of non-revenue earning assets, has effected a sharp reduction in these expenditures, which will continue for the balance of 1971 and should produce a continuing increase in working capital. Your company's commitments to payments of long-term debt obligations will be reduced substantially during 1971 and again in 1972.

Great Pacific, after a period of substantial expansion and asset growth, has entered a period of increasing liquidity and debt reduction, with management concentrating its efforts in minimizing the negative effect of certain industry economy conditions that have affected the company's performance. Great Pacific is preparing to take full advantage of improved opportunities that we believe lie ahead in late 1971 and continuing into 1972.

Respectfully submitted,

W. J. Sleeman

WILLIAM J. SLEEMAN,
President.

GREAT PACIFIC INDUSTRIES LIMITED
and subsidiaries

CONSOLIDATED BALANCE SHEET
JUNE 30, 1971

	1971	1970
Current Assets	$ 2,197,287	$ 2,263,632
Current Liabilities	1,611,792	1,907,962
Working Capital	585,495	355,670
Revenue Earning Assets, Net	9,355,578	6,253,092
Other Assets	4,106,203	3,570,092
	$14,047,276	$10,178,854
Term Liabilities:		
Notes Payable, Secured by Liens on		
Automotive Rental Units	$ 6,693,282	$ 4,378,466
Deferred Income Taxes	797,782	488,199
Other	2,400,812	1,268,103
Convertible Debentures	700,000	700,000
	10,591,876	6,834,768
Shareholders' Equity:		
Common Shares without Nominal or		
Par Value: Authorized 5,000,000:		
Issued 1,022,000	2,430,402	2,430,402
Retained Earnings	1,024,998	913,684
	3,455,400	3,344,086
	$14,047,276	$10,178,854

The Above Figures are Subject to Audit and
Year End Adjustments.

GREAT PACIFIC INDUSTRIES LIMITED
and subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
SIX MONTHS ENDED JUNE 30, 1971

	1971	1970
Operating Revenue	$4,523,730	$3,424,489
Operating Expenses	3,060,923	1,977,046
Provision for Depreciation	921,435	751,086
	3,982,358	2,728,132
Operating Profit	541,372	696,357
Interest on Long Term Debt	354,889	260,660
Earnings before Income Taxes	186,483	435,697
Provision for Income Taxes		
Current	(4,845)	104,901
Deferred	98,516	100,582
	93,671	205,483
Net Earnings for Period	$ 92,812	$ 230,214
Earnings per Common Share –		
Basic	9.1¢	22.5¢
Fully Diluted	9.5¢	22.2¢
Retained Earnings at Beginning of Year	932,186	683,470
Retained Earnings at June 30	$1,024,998	$ 913,684

GREAT PACIFIC INDUSTRIES LIMITED
and subsidiaries

CONSOLIDATED STATEMENT
OF SOURCE AND APPLICATION OF FUNDS
SIX MONTHS ENDED JUNE 30, 1971

Funds Provided:	1971	1970
Operations		
Net Earnings	$ 92,812	$ 230,214
Charges Not Requiring Cash Expenditures:		
Depreciation	921,435	751,086
Increase in Deferred Income Taxes	105,102	108,574
Increase in Deferred Rental Income	71,393	32,156
Amortization of Financing Costs	2,970	—
Funds Provided from Operations	1,193,712	1,122,030
Proceeds on Disposal of Fixed Assets	549	394,610
Proceeds on Disposal of Revenue Earning Assets	1,811,158	— *
Issue of 9% Subordinated Convertible Debentures	—	700,000
Issue of Notes Payable Secured by Liens on Automobiles	3,034,751	456,634**
Proceeds of 7% Mortgage	—	249,022
Proceeds of Bank and Other Notes Payable	1,168,410	90,000
Increase in Customers' Deposits	11,202	2,956
Proceeds on Realization of Other Assets	21,872	36,137
Working Capital (Net) Acquired in Purchasing Shares of Atlas Auto Leasing Ltd.	144,464	—
Total Funds Provided	7,386,118	3,051,389

The Above Figures are Subject to Audit and Year End Adjustments.

GREAT PACIFIC INDUSTRIES LIMITED
and subsidiaries

CONSOLIDATED STATEMENT
OF SOURCE AND APPLICATION OF FUNDS
SIX MONTHS ENDED JUNE 30, 1971

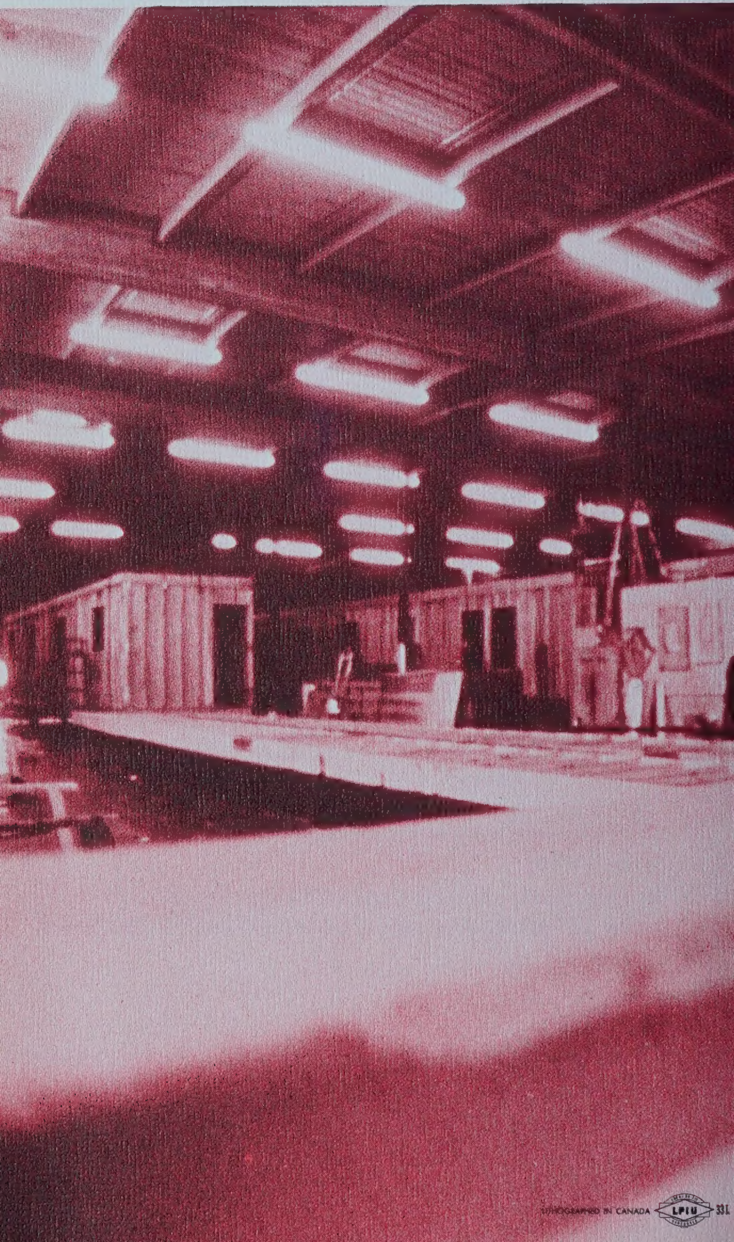
Funds Used:		
Additions to Revenue Earning Assets	3,480,858	1,744,958*
Additions to Property, Plant and Equipment	72,929	469,263
Reduction of Notes Payable Secured by Liens on Automobiles	2,320,653	— **
Reduction of Other Long Term Debt	44,801	295,104
Financing Costs	—	88,089
Purchase of Shares of Atlas Auto Leasing Ltd.	183,870	—
Other	11,896	8,995
	6,115,007	2,606,409
Increase in Working Capital	1,271,111	444,980
Working Capital, Beginning of Year	(685,616)	(89,310)
Working Capital, June 30	$ 585,495	$355,670

(*In 1970, Additions and Proceeds from Disposals were Netted)

(**In 1970, Issue of Notes Payable Secured by Liens on Automobiles and their "Reduction" were Netted)

Stock Exchange
Vancouver Stock Exchange

Executive Offices
Suite 850, 777 Hornby Street,
Vancouver 1, British Columbia,
Telephone 683-2171 – Area code 604



LITHOGRAPHED IN CANADA LPIU 331

Great Pacific Industries Vehicle Leasing Operation specializes in full maintenance type leases and has continually proven that it has the ability to deliver a high quality of service. This operation has built customer loyalty and a high renewal rate among its fleet of users.

Operating under the name of Jim Pattison Lease Ltd., its fleet of over 2,300 cars covers Canada with major concentrations in Ontario, Alberta and British Columbia. Company operated locations are in Toronto, Calgary and Vancouver, each offering complete sales and service facilities. Service arrangements with 125 other centres, result in broad customer coverage.

Board of Directors

Sir Michael Butler, Bt., Q.C.,
Partner, Messrs, Farris, Vaughan, Wills & Murphy, Vancouver, B.C.

Harry B. Dunbar, C.A.,
Vice-President, Corporate Development, Neonex International Ltd., Vancouver, B.C.

James A. Pattison,
President and Chief Executive Officer, Neonex International Ltd., Vancouver, B.C.

Edward Pyrik,
Vice-President Finance and Secretary

William J. Sleeman,
Group Vice-President, Neonex International Ltd., Vancouver, B.C.

Fred W. Vanstone,
Vice-President Finance, Neonex International Ltd. Vancouver, B.C.

Corporate Officers

James A. Pattison,
Chairman of the Board and President

Harry B. Dunbar, C.A.,
Vice-Chairman of the Board

Edward Pyrik,
Vice-President Finance and Secretary

William J. Sleeman,
Assistant Secretary

GREAT PACIFIC INDUSTRIES LIMITED
Head Office:
1132 Homer Street
Vancouver 1, B.C.
Toronto Calgary Vancouver

gpi

GREAT PACIFIC INDUSTRIES
INTERIM REPORT

Six Months Ended June 30, 1973

REPORT TO SHAREHOLDERS

For the first half of 1973 earnings from continuing operations amounted to $386,000 or 36¢ profit per share compared to a loss of $11,000 or 1¢ loss per share for the same period in 1972.

Last year's net earnings for the same period included a loss on discontinued operations of $299,000 and net extraordinary charges of $810,000 relating to the sale of subsidiary companies, resulted in a total net loss of $1,120,000 or $1.05 per share. No similar charges have been incurred in 1973.

Total sales and revenue for the first six months of this year are $2,718,000 compared to $2,251,000 for 1972. Operating revenues are up 10.7%.

Our Vehicle Leasing Operations continue to perform satisfactorily, showing improvements in all areas. A continuing good used car market should result in favorable earnings for the balance of the year.

A new "Park & Fly" location was recently opened near the Vancouver Airport, offering to the public, not only a lower parking cost, but also a full range of services such as tune-ups, maintenance, oil, gas and car washes, all performed during the time the client is out of town and has no need for his or her vehicle. This facility is staffed seven days per week, opens to accommodate early flights and closes after the last major flight of the day. The facility rents cars and trucks on an hourly, daily or weekly basis to the surrounding residential and industrial clientele. Used cars are also being retailed from this location.

The Canadian Radio and Television Commission has rejected all applicants for a licence to operate a third Television Station in Vancouver, including Great Pacific Industries. Management presently has the situation under study and when new applications are called for by the CRTC, the Company will give serious consideration to reapply.

Great Pacific Industries will continue to concentrate on its Vehicle Lease and Rental Division, one of the largest of its kind in Canada, and will consider other areas of opportunity for future investments, acquisition and growth.

Respectfully submitted on behalf of the Board of Directors,

JAMES A. PATTISON,
Chairman

August 11, 1973

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Six Months Ended June 30, 1973

	1973 (thousands)	1972 (thousands)
Sales and revenue:		
Operating revenue	**$2,426**	$2,191
Equity in earnings of unconsolidated affiliate	**292**	60
	2,718 000	2,251
Costs and expenses:		
Operating expenses	**787**	847
Provision for depreciation	**1,052**	993
Interest	**383**	357
Other expenses	**—**	102
	2,222	2,299
Earnings before income taxes	**496**	(48)
Provision for income taxes		
Current (recovery)	**—**	(33)
Deferred income taxes	**110**	(4)
	110	(37)
Earnings from continuing operations	**386**	(11)
Loss from discontinued operations	**—**	(299)
Earnings (loss) before extraordinary items	**386**	(310)
Extraordinary items:		
Loss on sale of shares of modular division	**—**	(926)
Gain on sale of hotel division assets	**—**	116
Net earnings (loss) for the period	**386**	(1,120)
Retained earnings at the beginning of the year	**241**	1,175
Retained earnings June 30	**$ 627**	$ 55
Per common share		
Earnings from continuing operations	**36.3¢**	(1.0¢)
Net earnings (loss) for the period	**36.3¢**	($1.05)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months Ended June 30, 1973

	1973 (thousands)	1972 (thousands)
FUNDS PROVIDED:		
Earnings (loss) from continuing operations	**$ 386**	$ (11)
Loss from discontinued operations	**—**	(299)
Add (deduct) items not requiring cash outlay:		
Depreciation	**1,052**	993
Deferred income taxes	**110**	(4)
Equity in earnings of unconsolidated affiliate	**(292)**	(60)
Gain of sale of hotel assets	**—**	116
Intangibles written off	**—**	613
Net funds used on sale of shares of modular division companies	**—**	(57)
Total working capital from operations	**1,256**	1,291
Net increase (reduction) in notes payable, secured by liens on automobiles	**1,503**	(121)
Proceeds of disposal of shares of modular division companies, less working capital of companies sold	**—**	2,222
Discontinued operations	**—**	24
Other	**47**	17
	2,806	3,433
FUNDS APPLIED TO		
Additions to vehicle lease fleet, net	**2,566**	989
Purchase of marketable securities	**—**	1,461
Issue of notes receivable	**—**	582
	2,566	3,032
Increase (decrease) in working capital	**240**	401
Working Capital (deficiency) beginning of year	**(175)**	(444)
Working Capital (deficiency) June 30	**$ 65**	$ (43)

These statements are subject to audit and year end adjustments.